

VILLAGE OF CENTRAL LAKE
CENTRAL LAKE, MICHIGAN

REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006

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MAY 22 2006

Michigan Department of Treasury
496 (02/06)**Auditing Procedures Report**

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VILLAGE OF CENTRAL LAKE	LOCAL AUDIT & FINANCE DIV. ANTRIM
Fiscal Year End FEBRUARY 28, 2006	Opinion Date APRIL 13, 2006	Date Audit Report Submitted to State MAY 18, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

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A
O**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☒ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) BARRY E. GAUDETTE, CPA, PC		Telephone Number (231) 946-8930	
Street Address 1107 E. EIGHTH STREET		City TRAVERSE CITY	State MI
		Zip 49686	
Authorizing CPA Signature 		Printed Name BARRY E. GAUDETTE	License Number 11050

INTRODUCTORY SECTION

Village of Central Lake
List of Elected Officials and Village Officers
February 28, 2006

Larry Eckhardt	President
Brian Patton	President Pro Tem/ Trustee
Greta Powers	Clerk/Treasurer
Karen Thomas	Trustee
Lela Clark	Trustee
Dennis Thier	Trustee
Harry Pletcher	Trustee
David Kotwick	Trustee
Susie McClanaghan	Deputy Clerk/ Recording Secretary

FINANCIAL SECTION

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8931
Fax (231) 946-1377

INDEPENDENT AUDITORS' REPORT

Members of the Village Council
Village of Central Lake
Central Lake, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Central Lake, Michigan, as of and for the year ended February 28, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Central Lake, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Central Lake, Michigan, as of February 28, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Village of Central Lake
Independent Auditors' Report
Page Two

As described in Note IV, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended and interpreted, as of February 28, 2006.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

Gary E. Vandette, CPA, PC

April 13, 2006

BASIC FINANCIAL STATEMENTS

Village of Central Lake
Statement of Net Assets
February 28, 2006

	Governmental	Business -Type	
	<u>Activities</u>	<u>Activities</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 295,356	\$ 236,974	\$ 532,330
Receivables, net	33,626	30,992	64,618
Inventory		9,000	9,000
Restricted cash		67,245	67,245
Prepaid expenses	4,252		4,252
Due from other funds	6,271	50,000	56,271
Capital assets (net of accumulated depreciation):			
Land and improvements	16,400	51,070	67,470
Machinery and equipment	73,426	37,126	110,552
Vehicles	20,341		20,341
Parks & recreation	2,701		2,701
Streetscape improvements	590,785		590,785
Sewer system		530,719	530,719
Water system		728,441	728,441
	<u>1,043,158</u>	<u>1,741,567</u>	<u>2,784,725</u>
Total assets			
LIABILITIES			
Accounts payable	16,235	965	17,200
Accrued withholdings	2,230		2,230
Accrued interest		3,142	3,142
Customer deposits		3,134	3,134
Due to other funds	50,000	6,271	56,271
Noncurrent liabilities:			
Due within one year		20,000	20,000
Due in more than one year		305,000	305,000
	<u>68,465</u>	<u>338,512</u>	<u>406,977</u>
Total liabilities			
NET ASSETS			
Invested in capital assets, net of related debt	703,653	1,022,356	1,726,009
Restricted for:			
Debt service		67,245	67,245
Unrestricted	<u>271,040</u>	<u>313,454</u>	<u>584,494</u>
Total net assets	<u>\$ 974,693</u>	<u>\$1,403,055</u>	<u>\$2,377,748</u>

See notes to financial statements

Village of Central Lake
Statement of Activities
For the Year Ended February 28, 2006

Functions /Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Legislative General	\$ 3,500	\$	\$	\$
Government	65,951	2,397		
Public safety	58,749	1,793	1,263	
Public works	187,670			
Community/ economic development	7,540			
Recreation & culture	47,034	46,271		
Other	<u>64,553</u>			
Total governmental activities	434,997	50,461	1,263	
Business-type activities:				
Sewer	41,598	22,655		1,941
Water	<u>105,627</u>	<u>83,834</u>		
Total	<u>\$ 582,222</u>	<u>\$156,950</u>	<u>\$ 1,263</u>	<u>\$ 1,941</u>

General revenues:

Property taxes & administrative fees
State aid
Interest earnings
Rentals
Gain of sale of fixed assets
Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

**Net (Expense) Revenue and
Changes in Net Assets**

Governmental Activities	Business-type Activities	Total
\$ (3,500)	\$	\$ (3,500)
(63,554)		(63,554)
(55,693)		(55,693)
(187,670)		(187,670)
(7,540)		(7,540)
(763)		(763)
<u>(64,553)</u>	<u></u>	<u>(64,553)</u>
(383,273)		(383,273)
	(17,002)	(17,002)
	<u>(21,793)</u>	<u>(21,793)</u>
<u>(383,273)</u>	<u>(38,795)</u>	<u>(422,068)</u>
241,445	48,178	289,623
177,936		177,936
7,290	6,874	14,164
61,585		61,585
50		50
<u>4,531</u>	<u>197</u>	<u>4,728</u>
<u>492,837</u>	<u>55,249</u>	<u>548,086</u>
109,564	16,454	126,018
<u>865,129</u>	<u>1,386,601</u>	<u>2,251,730</u>
<u>\$ 974,693</u>	<u>\$1,403,055</u>	<u>\$ 2,377,748</u>

Village of Central Lake
Balance Sheet
Governmental Funds
February 28, 2006

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 85,951	\$ 6,514	\$123,657	\$ 216,122
Receivables	15,084	10,512	8,030	33,626
Prepaid expenses	4,252			4,252
Due from other funds	<u>6,271</u>			<u>6,271</u>
Total assets	<u>\$ 111,558</u>	<u>\$ 17,026</u>	<u>\$131,687</u>	<u>\$ 260,271</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 3,867	\$ 7,006	\$	\$ 10,873
Accrued withholdings	2,230			2,230
Due to other funds		<u>50,000</u>		<u>50,000</u>
Total liabilities	<u>6,097</u>	<u>57,006</u>		<u>63,103</u>
Fund balances (deficit):				
Unreserved, reported in:				
General fund	105,461			105,461
Major street fund		(39,980)		(39,980)
Local street fund			<u>131,687</u>	<u>131,687</u>
Total fund balances	<u>105,461</u>	<u>(39,980)</u>	<u>131,687</u>	<u>197,168</u>
Total liabilities and fund balances	<u>\$ 111,558</u>	<u>\$ 17,026</u>	<u>\$131,687</u>	<u>\$ 260,271</u>

See notes to financial statements

Village of Central Lake
Statement of Revenues, Expenditures and Changes
In Fund Balance
Governmental Funds
For the Year Ended February 28, 2006

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes & adm. fees	\$ 184,884	\$	\$ 56,561	\$ 241,445
Licenses & permits	1,793			1,793
Intergovernmental				
revenue from state	90,678	62,229	26,292	179,199
Charges for services	2,397			2,397
Interest earnings	1,841	929	2,432	5,202
Rents	59,485			59,485
Other revenue	<u>2,364</u>	<u>2,217</u>		<u>4,581</u>
Total revenues	<u>343,442</u>	<u>65,375</u>	<u>85,285</u>	<u>494,102</u>
EXPENDITURES				
Current:				
Legislative	3,500			3,500
General government	65,951			65,951
Public safety	58,749			58,749
Public works	65,067	143,570	22,204	230,841
Community/economic				
development	7,540			7,540
Recreation & culture	44,334			44,334
Other	<u>64,553</u>			<u>64,553</u>
Total expenditures	<u>309,694</u>	<u>143,570</u>	<u>22,204</u>	<u>475,468</u>
Net changes in fund balances	33,748	(78,195)	63,081	18,634
Fund balances - beginning	<u>71,713</u>	<u>38,215</u>	<u>68,606</u>	<u>178,534</u>
Fund balances(deficit) - ending	<u>\$ 105,461</u>	<u>\$ (39,980)</u>	<u>\$131,687</u>	<u>\$ 197,168</u>

See notes to financial statements

Village of Central Lake
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
To the Statement of Activities
For the Year Ended February 28, 2006

Amounts reported for governmental activities in the
statement of activities are different because:

Total net change in fund balances -	
total governmental funds	\$ 18,634

Governmental funds report capital outlays
as expenditures. However, in the statement
of activities the cost of those assets is
allocated over their estimated useful lives
and reported as depreciation expense. This
is the amount by which capital outlays
exceeded depreciation in the current period.

Capital outlays	110,202
Depreciation	(21,596)

Internal service funds are used by management
to charge the costs of equipment to
individual funds.

The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>2,324</u>
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Change in net assets of governmental activities	<u>\$ 109,564</u>
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See notes to financial statements

Village of Central Lake
Statement of Net Assets
Proprietary Funds
February 28, 2006

	<u>Business-type Activities -Enterprise Funds</u>	
	<u>Prior Year</u>	<u>Sewer Fund Current Year</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 46,160	\$ 51,272
Receivables, net	30,496	26,343
Inventory		
Prepaid insurance	117	
Due from other funds		
Total current assets	<u>76,773</u>	<u>77,615</u>
Noncurrent assets:		
Restricted cash and cash equivalents		
Capital assets:		
Land	38,850	38,850
Machinery & equipment	7,045	7,045
Sewer system	826,571	826,571
Water system		
Less accumulated depreciation	(286,335)	(302,895)
Total noncurrent assets	<u>586,131</u>	<u>569,571</u>
Total assets	<u>662,904</u>	<u>647,186</u>
LIABILITIES		
Current liabilities:		
Accounts payable		107
Accrued interest		
Customer deposits	3,233	3,134
Due to other funds		
Bonds payable		
Total current liabilities	<u>3,233</u>	<u>3,241</u>
Noncurrent liabilities:		
Bonds payable		
Total liabilities	<u>3,233</u>	<u>3,241</u>
NET ASSETS		
Invested in capital assets, net of related debt	586,131	569,571
Restricted for debt service		
Unrestricted	<u>73,540</u>	<u>74,374</u>
Total net assets	<u>\$ 659,671</u>	<u>\$ 643,945</u>

See notes to financial statements

Business-type Activities
-Enterprise Funds

Governmental Activities-

Water Fund			Internal Service Funds	
Prior Year	Current Year	Totals	Prior Year	Current Year
\$ 153,192	\$ 185,702	\$ 236,974	\$ 72,090	\$ 79,234
4,130	4,649	30,992		
9,000	9,000	9,000		
153			1,132	
50,000	50,000	50,000		
<u>216,475</u>	<u>249,351</u>	<u>326,966</u>	<u>73,222</u>	<u>79,234</u>
63,512	67,245	67,245		
12,220	12,220	51,070		
198,259	198,259	205,304	422,536	426,237
		826,571		
954,389	954,389	954,389		
(363,151)	(387,083)	(689,978)	(324,914)	(327,636)
865,229	845,030	1,414,601	97,622	98,601
<u>1,081,704</u>	<u>1,094,381</u>	<u>1,741,567</u>	<u>170,844</u>	<u>177,835</u>
168	858	965	695	5,362
3,335	3,142	3,142		
		3,134		
6,271	6,271	6,271		
<u>20,000</u>	<u>20,000</u>	<u>20,000</u>		
29,774	30,271	33,512	695	5,362
325,000	305,000	305,000		
<u>354,774</u>	<u>335,271</u>	<u>338,512</u>	<u>695</u>	<u>5,362</u>
456,717	452,785	1,022,356	97,622	98,601
63,512	67,245	67,245		
<u>206,701</u>	<u>239,080</u>	<u>313,454</u>	<u>72,527</u>	<u>73,872</u>
<u>\$ 726,930</u>	<u>\$ 759,110</u>	<u>\$ 1,403,055</u>	<u>\$ 170,149</u>	<u>\$ 172,473</u>

Village of Central Lake
Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended February 28, 2006

	<u>Business-type Activities</u> <u>-Enterprise Funds</u>	
	<u>Prior Year</u>	<u>Current Year</u>
Operating revenues:		
Taxes & administrative fees	\$ 19,077	\$ 22,655
Charges for services		
Equipment rentals	1,920	
Other services	<u>20,997</u>	<u>22,655</u>
Total operating revenues		
Operating expenses:		
Depreciation	16,560	16,560
Wages	8,999	10,230
Repairs & maintenance	9,004	5,075
Gas & oil		
Equipment rental	5,860	3,746
Contracted services	4,549	1,355
Utilities	1,214	1,360
Other expenses	633	1,498
Insurance	457	117
Small equipment purchases	310	1,503
Office supplies & postage	162	154
Printing & publishing		
Education & training	161	
Total operating expenses	<u>47,909</u>	<u>41,598</u>
Operating income(loss)	<u>(26,912)</u>	<u>(18,943)</u>
Nonoperating revenues(expenses) :		
Transfer out		
Special assessments	7,765	1,941
Reimbursements	1,961	
Miscellaneous revenue		
Investment earnings	995	1,276
Interest expense		
Total nonoperating revenue(expenses)	<u>10,721</u>	<u>3,217</u>
Change in net assets	(16,191)	(15,726)
Total net assets-beginning	<u>675,862</u>	<u>659,671</u>
Total net assets-ending	<u>\$ 659,671</u>	<u>\$ 643,945</u>

See notes to financial statements

Business-type Activities
-Enterprise Funds

Governmental Activities-

Water Fund		Totals	Internal Service Funds	
Prior Year	Current Year		Prior Year	Current Year
\$ 44,622	\$ 48,178	\$ 48,178	\$	\$
80,949	82,798	105,453		
			56,670	48,371
3,322	1,036	1,036		
<u>128,893</u>	<u>132,012</u>	<u>154,667</u>	<u>56,670</u>	<u>48,371</u>
23,932	23,932	40,492	25,187	22,721
20,623	21,079	31,309		
6,559	13,502	18,577	6,693	9,928
			9,545	10,647
8,646	8,383	12,129		
1,592	5,287	6,642		
7,935	10,840	12,200		
9,402	950	2,448	5	113
656	153	270	3,137	1,132
1,170		1,503	4,447	3,594
627	1,747	1,901		
353	423	423		
1,118	279	279		
<u>82,613</u>	<u>86,575</u>	<u>128,173</u>	<u>49,014</u>	<u>48,135</u>
<u>46,280</u>	<u>45,437</u>	<u>26,494</u>	<u>7,656</u>	<u>236</u>
(75,000)		1,941		
127	197	197		
3,609	5,598	6,874	1,249	2,088
<u>(20,080)</u>	<u>(19,052)</u>	<u>(19,052)</u>		
<u>(91,344)</u>	<u>(13,257)</u>	<u>(10,040)</u>	<u>1,249</u>	<u>2,088</u>
(45,064)	32,180	16,454	8,905	2,324
<u>771,994</u>	<u>726,930</u>	<u>1,386,601</u>	<u>161,244</u>	<u>170,149</u>
<u>\$ 726,930</u>	<u>\$ 759,110</u>	<u>\$ 1,403,055</u>	<u>\$ 170,149</u>	<u>\$ 172,473</u>

Village of Central Lake
Statement of Cash Flows
Proprietary Funds
For the Year Ended February 28, 2006

	Business-type Activities -Enterprise Funds	
	Sewer Fund	
	<u>Prior Year</u>	<u>Current Year</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from taxes and adm. fees	\$	\$
Receipts from customers and users	26,047	26,709
Payments to suppliers	(22,426)	(14,584)
Payments to employees	(8,999)	(10,230)
Net cash provided (used) by operating activities	(5,378)	1,895
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer out		
Due from other funds		
Miscellaneous revenue (expense)		
Reimbursement	1,961	
Net cash provided (used) by noncapital financing activities	1,961	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Equipment purchases		
Special assessments	7,765	1,941
Interest expense		
Payment of principal on long-term debt		
Net cash provided (used) by capital and related financing activities	7,765	1,941
CASH FLOWS FROM INVESTING ACTIVITIES		
Restricted cash		
Interest received	995	1,276
Net cash provided (used) by investing activities	995	1,276

Business-type Activities
-Enterprise Funds

Governmental Activities-

Water Fund		Totals	Internal Service Funds	
Prior Year	Current Year		Prior Year	Current Year
\$ 44,622	\$ 48,178	\$ 48,178	\$	\$
84,641	83,315	110,024	67,591	48,371
(38,043)	(40,721)	(55,305)	(19,919)	(19,614)
(20,623)	(21,079)	(31,309)		
<u>70,597</u>	<u>69,693</u>	<u>71,588</u>	<u>47,672</u>	<u>28,757</u>
(75,000)			(100,000)	
50,000				
127	197	197		
<u>(24,873)</u>	<u>197</u>	<u>197</u>	<u>(100,000)</u>	
				(23,701)
(20,273)	(19,245)	(19,245)		
(20,000)	(20,000)	(20,000)		
<u>(40,273)</u>	<u>(39,245)</u>	<u>(37,304)</u>		<u>(23,701)</u>
4,397	(3,733)	(3,733)		
<u>3,610</u>	<u>5,598</u>	<u>6,874</u>	<u>867</u>	<u>2,088</u>
<u>8,007</u>	<u>1,865</u>	<u>3,141</u>	<u>867</u>	<u>2,088</u>

Village of Central Lake
Statement of Cash Flows
Proprietary Funds
For the Year Ended February 28, 2006
(Continued)

	<u>Business-type Activities</u> <u>-Enterprise Funds</u>	
	<u>Sewer Fund</u>	
	<u>Prior Year</u>	<u>Current Year</u>
Net increase (decrease) in cash and cash equivalents	5,343	5,112
Cash and cash equivalents, beginning	<u>40,817</u>	<u>46,160</u>
Cash and cash equivalents, ending	<u>\$ 46,160</u>	<u>\$ 51,272</u>

See notes to financial statements

Business-type Activities
-Enterprise Funds

Governmental Activities-

Water Fund		Totals	Internal Service Funds	
<u>Prior Year</u>	<u>Current Year</u>		<u>Prior Year</u>	<u>Current Year</u>
13,458	32,510	37,622	(51,461)	7,144
<u>139,734</u>	<u>153,192</u>	<u>199,352</u>	<u>89,484</u>	<u>72,090</u>
<u>\$ 153,192</u>	<u>\$ 185,702</u>	<u>\$ 236,974</u>	<u>\$ 38,023</u>	<u>\$ 79,234</u>

Village of Central Lake
Statement of Cash Flows
Proprietary funds
For the Year Ended February 28, 2006
(Continued)

	Business-type Activities - Enterprise Funds		
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income(loss)	<u>\$ (18,943)</u>	<u>\$ 45,437</u>	<u>\$ 236</u>
Adjustments to reconcile operating income to net cash provided(used) by operating activities:			
Depreciation expense	16,560	23,932	22,722
(Increase) decrease in accounts receivable	4,153	(519)	
(Increase) decrease in prepaid insurance	117	153	1,132
Increase (decrease) in customer deposits	(99)		
Increase (decrease) in accounts payable	<u>107</u>	<u>690</u>	<u>4,667</u>
Total adjustments	<u>20,838</u>	<u>24,256</u>	<u>28,521</u>
Net cash provided (used) by operating activities	<u>\$ 1,895</u>	<u>\$ 69,693</u>	<u>\$ 28,757</u>

See notes to financial statements

Governmental
Activities-
Internal
Service
Funds

\$ 26,730

63,214

3,634

1,402

(99)

5,464

73,615

\$ 100,345

Village of Central Lake
Notes to the Financial Statements
February 28, 2006

I. Summary of significant accounting policies

The financial statements of the Village of Central Lake (the Village) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

A. Reporting entity

The Village is governed by an elected seven-member board. The accompanying financial statements present the Village's operations for which the government is considered to be financially accountable. The Village has no component units and is not responsible for any jointly governed organizations.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Village does not have any fiduciary funds.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when a payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Village as of the preceding December 31st. Real property taxes not collected as of October 15th are turned over to Antrim County, which advances the Village 100% for the delinquent taxes.

The 2005 taxable valuation of the Village totaled \$24,110,709, on which ad valorem taxes levied consisted of 7.6517 mills for Village operating purposes. This amount is recognized in the General Fund as current tax revenue. Also, the Village has a street and water millage levies that were voted for by the Village residents of 2.3483 and 2.0000 mills, respectively.

The Village reports the following major governmental funds:

The *general fund* is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *special revenue funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for particular purposes. These funds include the Major and Local Street Funds.

The Village reports the following major proprietary funds:

The *sewer and water funds* account for activities of the business-type - Enterprise Fund of the Village. The intent of the Village's Board is that the costs of providing sewer and water service to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal service funds account for the financing of goods and services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The Village's equipment fund is an internal service fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments of equipment charges to the equipment fund, and other charges between the government's sewer and water functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's enterprise fund, and of the government's internal service fund are charges to customers for sales and

services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds and internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted sources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Village to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Village is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable

allowance for uncollectibles.

Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on October 15th of the following year, at which time penalties and interest are assessed.

It is the Village's policy to place delinquent sewer, water, and garbage bills on the tax rolls on an annual basis. Delinquent water bill customers also have their service shut off until the bills are paid in full.

3. Inventories and prepaid items

Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain proceeds of the Village's water revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

The Village has two accounts at Peoples State Bank in a certificate of deposit valued at \$52,172 and a checking account with a balance of \$15,074 as of February 28, 2006. These monies are reserved in the Water Fund for payment of future debt payments.

5. Capital assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant, and equipment of the Village is depreciated using the straight-line method over the following estimated

useful lives:

<u>Assets</u>	<u>Years</u>
Vehicles	5-20
Buildings & improvements	30
Water system	10-50
Sewer system	50
Parks & recreation	10
Campground	10
Machinery & equipment	5-15
Streetscape improvements	20

6. *Compensated absences*

The Village does not account for employee accrued sick and vacation pay. The Village's policy is to reimburse its employees for any sick and/or vacation pay unused at year-end.

7. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

8. *Fund equity*

In the fund financial statements, governmental funds report the reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. *Comparative data/reclassifications*

Comparative total data for the prior year have been presented for the individual enterprise and internal service funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

II. Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The President submits to the Village Council a proposed budget for the fiscal year commencing on March 1st. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to February 28, the budget is legally adopted by the Village Council as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. The President is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Village Council.
5. Formal budgetary integration is employed as a management control device during the year for the general, major street and local street funds.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to March 1st.

B. Excess of expenditures over appropriations

For the year ended February 28, 2006, expenditures exceeded appropriations in the following activities:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General Government:			
Clerk/treasurer	\$ 36,450	\$ 41,356	\$ (4,906)
Hall & grounds	15,200	16,156	(956)
Public Safety:			
Crime control	53,800	58,749	(4,949)
Recreation & culture:			
Parks & recreation	16,300	17,870	(1,570)
Campground	24,800	26,464	(1,664)

These overexpenditures were funded by the General Fund's fund balance, respectively.

III. Detailed notes on all funds

A. Deposits, investments and credit risk

Deposits

At year-end, the carrying amount of the Village's deposits were \$247,405 and the bank balance was \$248,534, of which \$215,074 was covered by federal depository insurance.

Investments

The Village had the following investments at Alden State Bank and People State Bank as of February 28, 2006:

Alden State Bank-CD (#500103178)	\$ 100,000
Alden State Bank-CD (#500103186)	200,000
People State Bank-CD (#100739820)	<u>52,172</u>
Total	<u>\$ 352,172</u>

Interest Rate Risk - The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The Village's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds, certificate of deposits, commercial business savings accounts, money market accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Village shall deposit excess monies in the general fund and all other operating fund accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal Deposit Insurance Corporation(FDIC), National Credit Union Share Insurance Fund(NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as an eligible depository of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Village shall obtain collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes or Bonds in the name of the Village held in trust by the financial institution or bank. The Village may choose collateralization in the following form and percentages:

- | | |
|-------------------------------------|------------|
| 1. U.S. Treasury Notes | - 100%; or |
| 2. U.S. Treasury Notes and/or Bonds | - 75% and |
| 3. Mortgage Backed Securities | - 25% |

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution shall provide a statement of the following collateralization at a minimum once every quarter to the Village.

The Village has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The Village places no limit on the amount the Village may invest in any one issuer. All of the Village's investments are reported in the Local Street, Sewer, Water and Equipment Funds.

A reconciliation of cash as shown on the statements of net assets follows:

Carrying amount of deposits	\$ 247,405
Investments	<u>352,172</u>
Total	<u>\$ 599,577</u>

Cash and cash equivalents:

General, major street, and local street funds	\$ 217,253
Sewer and water funds	304,219
Equipment fund	79,234
Checks written in excess of deposits	<u>(1,129)</u>
Total	<u>\$ 599,577</u>

B. Receivables

Receivables as of year end for the government's individual major funds consist of \$15,084, \$10,512 and \$8,030, respectively in the general fund, major street and local street funds. These receivables represent monies owed from the State of Michigan for state revenue sharing, and Act 51 monies, local road plan and snow removal costs. The receivables in the enterprise funds consist of accounts receivable from customers of \$30,992.

C. Capital assets

Capital asset activity for the year ended February 28, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land & improvements	\$ 16,400	\$	\$	\$ 16,400
Total capital assets, not being depreciated	<u>16,400</u>			<u>16,400</u>
Capital assets, being depreciated:				
Buildings & improvements	3,500			3,500
Machinery & equipment	437,282	1,100		438,382
Vehicles	20,000	22,601	20,000	22,601
Parks & recreation	27,005			27,005
Campground	5,079			5,079
Streetscape improvements	<u>507,327</u>	<u>110,202</u>		<u>617,529</u>
Total capital assets being depreciated	<u>1,000,193</u>	<u>133,903</u>	<u>20,000</u>	<u>1,114,096</u>
Less accumulated depreciation for:				
Buildings & improvements	(3,500)			(3,500)
Machinery & equipment	(339,660)	(25,296)		(364,956)
Vehicles	(20,000)	(2,260)	20,000	(2,260)
Parks & recreation	(21,604)	(2,700)		(24,304)
Campground	(5,079)			(5,079)
Streetscape improvements	<u>(12,683)</u>	<u>(14,061)</u>		<u>(26,744)</u>
Total accumulated depreciation	<u>(402,526)</u>	<u>(44,317)</u>	<u>20,000</u>	<u>(426,843)</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Total capital assets, being depreciated, net	<u>597,667</u>	<u>89,586</u>		<u>687,253</u>
Governmental activities capital assets, net	<u>\$ 614,067</u>	<u>\$ 89,586</u>	<u>\$</u>	<u>\$ 703,653</u>
Business-type activities (Enterprise Funds)				
Capital assets, not being depreciated:				
Land	<u>\$ 51,070</u>	<u>\$</u>	<u>\$</u>	<u>\$ 51,070</u>
Capital assets, being depreciated:				
Machinery & equipment	205,304			205,304
Sewer collection system	826,571			826,571
Water distribution system	<u>954,389</u>			<u>954,389</u>
Total capital assets, being depreciated	<u>1,986,264</u>			<u>1,986,264</u>
Less accumulated depreciation for:				
Machinery & equipment	(162,546)	(5,632)		(168,178)
Sewer collection system	(279,291)	(16,561)		(295,852)
Water distribution system	<u>(207,649)</u>	<u>(18,299)</u>		<u>(225,948)</u>
Total accumulated depreciation	<u>(649,486)</u>	<u>(40,492)</u>		<u>(689,978)</u>
Total capital assets, being depreciated, net	<u>1,336,778</u>	<u>(40,492)</u>		<u>1,296,286</u>
Business-type activities capital assets, net	<u>\$1,387,848</u>	<u>\$ (40,492)</u>	<u>\$</u>	<u>\$1,347,356</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
Parks & recreation	\$ 2,700
Public works	18,896
Internal service fund	<u>22,721</u>
Total depreciation expense- governmental activities	<u>\$ 44,317</u>
Business-type activities:	
Sewer	\$ 16,560
Water	<u>23,932</u>
Total depreciation expense- business-type activities	<u>\$ 40,492</u>

D. Interfund receivables, payables, and transfers

Interfund transfers:

Transfer out:	Transfer In:		
	Major Street Fund	Local Street Fund	Total
General fund	\$ -	\$ -	\$ -
Water fund	<u>-</u>	<u>-</u>	<u>-</u>
Total transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The composition of interfund balances as of February 28, 2006, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water	\$ 6,271
Water	Major street	<u>50,000</u>
Total		<u>\$ 56,271</u>

E. Long-term debt

Revenue bonds

The Village issued bonds on February 4, 1999 to be paid from the revenues of the water system. The bonds were issued for the water supply system, a business-type activity. The original amount of the bond was \$460,000. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities	5.8%	<u>\$ 345,000</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending February 28,</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 20,000	\$ 18,850
2008	25,000	17,690
2009	25,000	16,240
2010	25,000	14,790
2011	25,000	18,205
2012-2016	165,000	40,700
2017	<u>40,000</u>	<u>2,320</u>
Total	<u>\$ 325,000</u>	<u>\$ 128,795</u>

Changes in long-term liabilities

Long-term liability activity for the year ended February 28, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:				
Bonds payable:				
Revenue bonds	<u>\$ 345,000</u>	<u>\$ (20,000)</u>	<u>\$ 325,000</u>	<u>\$ 20,000</u>

F. Segment information

The Village issued revenue bonds on February 4, 1999 to help finance the water supply system. Summary financial information for the water department is presented below.

CONDENSED STATEMENT OF NET ASSETS

Assets:

Current assets	\$ 249,351
Restricted assets	67,245
Capital assets	<u>777,785</u>
Total assets	<u>1,094,381</u>

Liabilities:

Current liabilities	30,271
Bonds payable-noncurrent	<u>305,000</u>
Total liabilities	<u>335,271</u>

Net assets:

Invested in capital assets, net of related debt	452,785
Restricted	67,245
Unrestricted	<u>239,080</u>
Total net assets	<u>\$ 759,110</u>

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Water charges (pledged against bonds)	\$ 83,834
Taxes & administrative fees	48,178
Depreciation expense	(23,932)
Other operating expenses	<u>(62,643)</u>
Operating income	45,437
Nonoperating revenues (expenses):	
Investment earnings	5,598
Miscellaneous revenue	197
Interest expense	<u>(19,052)</u>
Change in net assets	32,180
Beginning net assets	<u>726,930</u>
Ending net assets	<u>\$ 759,110</u>

CONDENSED STATEMENT OF CASH FLOWS

Net cash provided (used) by:

Operating activities	\$ 69,693
Noncapital financing activities	197
Capital and related financing activities	(39,245)
Investing activities	<u>1,865</u>
Net increase (decrease)	32,510
Beginning cash and cash equivalents	<u>153,192</u>
Ending cash and cash equivalents	<u>\$ 185,702</u>

G. Schedule of invested in capital assets

Changes in invested in capital assets in the enterprise fund type for the year ended February 28, 2006, consist of the following:

Balance - beginning	\$ 1,042,848
Investment in fixed assets, net of depreciation paid for from operations net of depreciation	(20,492)
Balance - ending	<u>\$ 1,022,356</u>

IV. Other information

A. Risk management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and employee injuries (workers compensation). The Village was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Village joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The Village pays an annual premium to the pool for its general insurance coverage.

The Village has purchased commercial insurance for all other risks of loss. Settlements claims have not exceeded coverages for each of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Village is unable to provide an estimate of the amounts of additional assessments.

B. Pension plan

The Village contributed \$15,014 to Individual Retirement Accounts (IRA's) during the current fiscal year for its employees.

C. Implementation of new accounting standard

As of and for the year ended February 28, 2006, the Village implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a governments' major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

Required Supplementary Information

Village of Central Lake
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended February 28, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
REVENUES				
Property taxes and related fees	\$177,000	\$ 177,000	\$184,884	\$ 7,884
Licenses and permits	2,000	2,000	1,793	(207)
Intergovernmental revenue from state	86,000	86,000	90,678	4,678
Charges for services	2,300	2,300	2,397	97
Interest earnings	3,000	3,000	1,841	(1,159)
Rents	52,900	52,900	59,485	6,585
Other revenue	200	200	2,364	2,164
Total revenues	<u>323,400</u>	<u>323,400</u>	<u>343,442</u>	<u>20,042</u>
EXPENDITURES				
Current:				
Legislative:				
Village council	<u>4,000</u>	<u>4,000</u>	<u>3,500</u>	<u>500</u>
General government:				
President	2,300	2,300	1,989	311
Clerk/treasurer	36,450	36,450	41,356	(4,906)
Professional services	5,500	6,450	6,450	
Hall & grounds	<u>15,200</u>	<u>15,200</u>	<u>16,156</u>	<u>(956)</u>
Total general government	<u>59,450</u>	<u>60,400</u>	<u>65,951</u>	<u>(5,551)</u>
Public safety:				
Crime control	<u>53,800</u>	<u>53,800</u>	<u>58,749</u>	<u>(4,949)</u>
Public works:				
Sidewalks:				
Salaries			4,848	
Supplies			2,777	
Equipment rent			2,255	
Total sidewalks	<u>14,200</u>	<u>8,200</u>	<u>9,880</u>	<u>(1,680)</u>

Village of Central Lake
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended February 28, 2006
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
EXPENDITURES				
(CONTINUED):				
Current:				
Public works continued:				
DPW:				
Salaries			22,710	
Retirement			9,213	
Office supplies			57	
Uniforms			3,674	
Telephone			2,132	
Dental allowance			1,509	
Miscellaneous			462	
Total DPW	<u>43,000</u>	<u>42,500</u>	<u>39,757</u>	<u>2,743</u>
Electric utilities:				
Street lights	<u>19,000</u>	<u>19,000</u>	<u>15,430</u>	<u>3,570</u>
Total public works	<u>76,200</u>	<u>69,700</u>	<u>65,067</u>	<u>4,633</u>
Community/economic development:				
Planning commission	<u>1,000</u>	<u>9,150</u>	<u>7,540</u>	<u>1,610</u>
Recreation & culture:				
Parks & recreation	<u>15,900</u>	<u>16,300</u>	<u>17,870</u>	<u>(1,570)</u>
Campground	<u>27,800</u>	<u>24,800</u>	<u>26,464</u>	<u>(1,664)</u>
Total recreation & culture	<u>43,700</u>	<u>41,100</u>	<u>44,334</u>	<u>(3,234)</u>

Village of Central Lake
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended February 28, 2006
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
EXPENDITURES				
(CONTINUED) :				
Other:				
Payroll taxes			21,659	
Promotional			2,417	
Insurances:				
Unemployment			540	
Workmen's				
compensation			5,045	
Health insurance			22,275	
Liability				
insurance			12,617	
Total other	<u>65,000</u>	<u>76,400</u>	<u>64,553</u>	<u>11,847</u>
Total expenditures	<u>303,150</u>	<u>314,550</u>	<u>309,694</u>	<u>4,856</u>
Net change in fund balances	20,250	8,850	33,748	24,898
Fund balances-beginning	<u>262,665</u>	<u>251,265</u>	<u>71,713</u>	<u>(179,552)</u>
Fund balances-ending	<u>\$282,915</u>	<u>\$ 260,115</u>	<u>\$105,461</u>	<u>\$ (154,654)</u>

See notes to financial statements

Village of Central Lake
Major Street Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended February 28, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
State aid	\$ 55,500	\$ 55,500	\$ 62,229	\$ 6,729
Interest earnings	2,000	2,000	929	(1,071)
Reimbursements	<u>2,500</u>	<u>2,500</u>	<u>2,217</u>	<u>(283)</u>
Total revenues	<u>60,000</u>	<u>60,000</u>	<u>65,375</u>	<u>5,375</u>
EXPENDITURES				
Public works:				
Construction	122,950	121,700	103,885	17,815
Administration	500	500	300	200
Routine maintenance	15,500	16,250	22,171	(5,921)
Winter maintenance	17,000	17,000	16,265	735
Traffic services	<u>500</u>	<u>1,000</u>	<u>949</u>	<u>51</u>
Total expenditures	<u>156,450</u>	<u>156,450</u>	<u>143,570</u>	<u>12,880</u>
Net change in fund balances	(96,450)	(96,450)	(78,195)	18,255
Fund balances- beginning	<u>11,584</u>	<u>11,584</u>	<u>38,215</u>	<u>26,631</u>
Fund balances- ending	<u><u>\$ (84,866)</u></u>	<u><u>\$ (84,866)</u></u>	<u><u>\$ (39,980)</u></u>	<u><u>\$ 44,886</u></u>

See notes to financial statements

Village of Central Lake
Local Street Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended February 28, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
REVENUES				
Property taxes	\$ 42,000	\$ 42,000	\$ 56,561	\$ 14,561
State aid	27,000	27,000	26,292	(708)
Interest earnings	500	500	2,432	1,932
Total revenues	<u>69,500</u>	<u>69,500</u>	<u>85,285</u>	<u>15,785</u>
EXPENDITURES				
Public works:				
Construction	2,000	2,000	703	1,297
Administration	500	500	300	200
Routine maintenance	10,000	10,000	9,684	316
Winter maintenance	10,500	10,500	11,517	(1,017)
Traffic services	300	300		300
Total expenditures	<u>23,300</u>	<u>23,300</u>	<u>22,204</u>	<u>1,096</u>
Net change in fund balances	46,200	46,200	63,081	16,881
Fund balances- beginning	<u>63,447</u>	<u>63,447</u>	<u>68,606</u>	<u>5,159</u>
Fund balances- ending	<u>\$ 109,647</u>	<u>\$ 109,647</u>	<u>\$131,687</u>	<u>\$ 22,040</u>

See notes to financial statements

COMMENTS AND RECOMMENDATIONS

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

Members of the Village Council
Village of Central Lake
Central Lake, Michigan

My examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

The following comments and recommendations are based on observations made during the course of my examination for the year ended February 28, 2006:

Tax Collections

The Village currently collects and disburses tax collections in the common checking account. I recommend the Village open up a separate checking account for the collection and payment of property taxes.

Deficit

The major street fund has a deficit of \$39,980 as of February 28, 2006. I recommend that the Village adopt a plan to eliminate this deficit.

Donations

The Village in June of 2005 donated \$1,000 to the Little League. This may be an unauthorized expenditure as defined in the Bulletin of Audits of Local Units of Government in Michigan as revised (Appendix H). I recommend the Village contact the State to see if this type of expenditure is allowed.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management and the Council Board and should not be used for any other purpose.

Barry E. Gaudette, CPA, PC

April 13, 2006